

*Published as a chapter in Koops, J. & Macaj, G. (eds) (2014). The European Union as a Diplomatic Actor. Basingstoke: Palgrave Macmillan*

## **9.1 Introduction<sup>i</sup>**

In response to the global financial crisis of 2008, the G20 started meeting at the level of Heads of State and Government. From then onwards, the G20 has quickly risen to become the most prominent forum for international economic cooperation. The President of the eurogroup, Jeroen Dijsselbloem, even stated that the value of the euro is more appropriately discussed in the G20 than in the eurogroup (Blade, 2013). Soon, the G20 agenda expanded to embrace other topics as well such as development, food security and employment.

The emergence of the G20 is the expression of multipolarity and the shifting power dynamics in the international system. For the EU and its member states, the G20 is a new channel through which it can maintain high-level multilateral diplomatic relations with the emerging powers. The G20 represents a new diplomatic reality for the EU, although it is quite familiar with the informal and exclusive G-format given its involvement in the G8. The G20 is, for example, not as eurocentric as other international financial institutions such as the International Monetary Fund (IMF) or the G7. Furthermore, in the G20, countries participate and negotiate as individual members rather than as (regional) blocs or constituencies as in the United Nations or the Bretton Woods institutions.

This setting challenges the EU as a diplomatic actor. To what extent and under which circumstances is EU coordination appropriate in the G20 and does internal coherence advance or compromise external impact? How flexible can or should an EU position be in the informal

and ad hoc G20 context? Who represents the EU and to what extent are the non-G20 EU member states involved in the preparation of G20 meetings? This chapter attempts to address these issues by examining the way the EU prepares and coordinates for the G20 process as well as how it performs during G20 meetings. It argues that the EU's diplomatic behaviour depends on the mode of interaction within the G20 rather than internal EU factors such as the distribution of competences. This argument is illustrated by two case studies on finance and development. But first, this chapter proceeds with a brief historical overview of the EU's evolution as a diplomatic actor in the G8.

## **9.2 Precedents: the EU in the G8**

In order to fully understand the dynamics of the G20 and the position of the EU and the member states in this context, it is imperative to go back to the beginning of G-summitry. The G8 (and G20) have its origins in 1975 when the leaders of six leading industrialized countries – France, the UK, Germany, Italy, the USA and Japan – gathered in Rambouillet to discuss mainly economic and financial issues. The forum was extended to include Canada in 1976 and Russia in 1998, thus becoming the G8<sup>ii</sup>. Initially, this 'Western Economic Summit' was conceived as a one-time informal gathering. The idea of a multilateral summit meeting to consider economic issues in a personal and exclusive setting was pushed by the former French President Giscard. Together with his colleagues from Germany, Italy and the UK, he envisaged an informal meeting which would primarily foster personal relations between the leaders of the most powerful industrial democracies, not designed to take decisions and without any bureaucratic involvement. The Americans, on the other hand, sought a decision-making institution to identify unresolved global policy problems and seek solutions. Supported by its own preparatory and follow-up apparatus, this forum would allow for effective international policy coordination (Putnam and Bayne, 1987: 35).

When it became clear that the summit was to be repeated annually and tended to assume a more decision-making role, the excluded European Community member states feared to be treated as second-class member states. Therefore, they advocated strongly for representation of the European Community – the Netherlands even threatened to stop lending to the UK or France for this reason (Jenkins, 1989: 65). Also the European Commission lobbied intensively for representation at the summit based on the grounds that only the European Community was authorized to act on certain economic subjects such as international trade. In this context, it deemed an agreement on export credits of the 1976 Puerto Rico summit illegitimate because it interfered with Community competence (Niemann and Huigens, 2011: 424).

However, the European G8 members were not eager to involve the European Community. Particularly the French President Giscard was firmly opposed to involving the European Community arguing that its inclusion would mean a broadening of the agenda to political affairs and an endangering of the informal exchange of views among the leaders (Bonvicini and Wessels, 1984: 172). After long discussions and a strong resolution by the European Parliament, the European Council decided in 1977 that the President of the Commission and the rotating President of the Council would be invited to take part in those sessions that deal with items that fall under Community competence, such as international trade (Hainsworth, 1990). The non-European G8 members accepted the Community presence without difficulties.

Nevertheless soon, the participation of the Commission in the G8 summits and its preparations was extended to cover all items. Already in 1978, the Commission's presence at the summits had become uncontested. The European Commission fully participated in all economic sessions and its preparations at the 1978 Bonn summit. In 1981, it was allowed to take part in the political discussions and joined the preparations one year later (Putnam and

Bayne, 1987: 151-152). In 1987, the Commission drew up for the first time a detailed working paper dealing with the problem of sub-Saharan African debt, which served as the basis for summit discussions (Hainsworth, 1990). A few years later, the G8 tasked the Commission to coordinate Western aid to the Central and Eastern European Countries after the collapse of communism. The resulting PHARE program illustrates the recognition of the European Commission's role and capabilities in the G8. Although the Commission fully participates in the G8, the EU is still not considered as a member and cannot host a summit or assume the G8 presidency – depriving it from substantial agenda-setting powers.

According to Niemann and Huigens (2011), the increased importance of the European Commission in the G8 context is due to the flexibility and informality of the G8, the evolving European integration process as well as the Commission's capabilities, standing and entrepreneurship. Using a principal-agent perspective, they also argue that the member states' incentives to rely on the Commission changed over time. On the one hand, the European G8 members have realized that the European Commission adds significant value to the G8 debates. On the other hand, the G8 summits appeared not to undermine the role of the EU as some small EU countries originally feared.

The original arrangement of EU representation in the G8 also included the rotating Council Presidency next to the European Commission. However, in the first years, the summits were always (deliberately) organized when a European G8 member held the Presidency of the Council. The Community's enlargement in 1986 made this practice no longer workable. But the Council Presidency never really played a role of significance in the G8. When the rotating Council Presidency was not held by a G8 country, the involvement of the EU Council Presidency in the G8 process depended largely on the country's commitment and its disposal of diplomatic resources. Also the fact that the Council Presidency rotates on a six-month basis limited its ability to become fully involved in the G8 process. Moreover, the

country holding the Presidency operated as freely as the other G8 members, seldom acting as spokesman of the EC/EU (Putnam and Bayne, 1987: 152-153). Only since the introduction of a permanent President of the European Council by the Treaty of Lisbon, Council representation has been strengthened in the G8 (Debaere and Orbie, 2012).

As said, the EU and particularly the European Commission has secured its diplomatic involvement in the G8. The Commission has been accepted and appreciated as a full participant in the G8 process. Its presence among this select group of nation-states has contributed to its diplomatic prestige and international standing. But has the EU also been able to valorise its presence in the G8 into actual impact?

Since the EU makes up half of G8 membership, it has the potential to exert significant influence over the G8 outcome. Fischer (2001) compared the conclusions of the G8 summit and the European Council, both under the German chairmanship in June 1999. He found that both documents were very similar and contained the same wording. Fischer concludes that, 'the limits of the G8 summit were set – indirectly – at the European Council as far as direct competencies of the EU were concerned' (Fischer, 2001:138). Other studies have concluded that whenever the Community could agree on an effective joint position its views would largely prevail in the G8 communiqués (Putnam and Bayne, 1987; Ullrich and Donelly, 1998). In the early years of the G8 a meeting of the European Council was always held shortly before the summit in order to coordinate a common position on key agenda items of the summit. Yet, since the mid-1980s, these coordination meetings have been declining in importance, with the Commission now merely informing the member states on the G8 agenda (Huigens and Niemann, 2012: 111). Generally, the prevailing opinion is that there is no reason for coordination if the position of EU G8 countries does not interfere with existing EU positions or policies, or if these countries do not bind the EU in any way with their respective positions within the G8 (Gstöhl, 2008).

Even without explicit prior coordination, the positions of the EU G8 participants follow common lines based on basic European interests and the iterative deliberations within the EU. They do nevertheless avoid presenting themselves as a strong coalition in the G8. European bloc forming would upset other summit participants by polarizing the debate and undermining the flexibility and informality of the G8 process (Bonvicini and Wessels, 1984). At the 2008 Hokkaido Toyako summit for example, the EU raised annoyance in the Japanese delegation as a united European position on climate change determined the pace of the summit negotiations (Huigens and Niemann, 2012: 112). Beside affecting the G8 process, the pressure of a unified European bloc is of course also hard to resist by non-EU G8 members. The concerted resistance of the European countries to move on the issue of agricultural subsidies at the 1990 Houston summit and their coordinated positions on the Soviet-Union and the Brazilian forests were met with irritation from the then-USA President G. H. Bush (Apple, 1990; Bayne, 2000: 71-72).<sup>iii</sup>

For the European Commission, the G8 context is particularly challenging. On the one hand, the Commission is the agent of all EU member states, representing the Union as a whole in the G8. On the other hand, the Commission's presence in the G8 basically depends upon the consent of the European G8 members. Therefore, it avoids too harsh confrontations with its European colleagues in the G8. This situation affects the diplomatic role of the European Commission at least in two ways. First, the European Commission refrains from encouraging extensive EU coordination as this would be 'political suicide' (Nasra et al., 2009: 10). However in some instances, for instance on climate change at the 2008 G8 summit, the Commission may facilitate coordination among EU participants in the G8, but only on the latter's request. Second, the presence of four EU member states constrains the Commission's room of manoeuvre in the G8 (Nasra et al., 2009). If the Commission is not fully backed by the other member states its credibility would suffer. Therefore, the Commission does not act

independently and rarely takes the initiative in G8 discussions (Putnam and Bayne, 1987: 153; Huigens and Niemann, 2012: 113). To summarize, while the European Commission enjoys considerable autonomy *vis-à-vis* the non-G8 EU member states, its diplomatic leeway in the G8 is constrained by the EU countries in the G8. Nevertheless, EU and non-EU G8 countries value the European Commission's presence in the G8 because of its expertise and (financial) contributions to G8 initiatives.

### **9.3 The EU in the G20: from Council to Commission**

The East-Asian financial crisis of the late-1990s made the G7 countries realize that the international financial architecture had to be strengthened by including emerging market economies. Hence in 1999, they launched the G20 forum bringing together the finance ministers and central bank governors of the G7, twelve emerging economies and the EU (Hajnal, 2007)<sup>iv</sup>. In contrast to the G8, the EU was granted official membership of the G20 from the very beginning. Also contrary to the G8, the European Commission was only given a marginal role in the G20. It participated at a technical level in the EU delegation, while the representation of the EU was left to the finance minister of the rotating Council Presidency and the President of the European Central Bank. During its first decade, the G20 lived a quiet existence as a consultative and consensus-building group (Bini Smaghi, 2006: 266). Because of its low political salience and the fact that the EU acquired official G20 membership right from the start, the G20's creation did not cause any significant contestation in the EU (Debaere, Lesage and Orbie, 2014 forthcoming).

In reaction to the outbreak of the 2007-2008 global financial crisis, the G20 was upgraded to the level of Heads of State and Government. The first G20 leaders summit in November 2008 also constituted an upgrade of the role of the European Commission in the G20. The Commission's status in the G20 was elevated from the technical level to the highest

political level with the European Commission President representing the EU next to the President of the European Council<sup>v</sup>. The sudden entrance of the Commission at the G20 is probably due to its expertise and competences in the area of financial market regulation as well as its involvement in the decision to hold an international crisis summit (Debaere, Lesage and Orbie, 2014 forthcoming). That decision was taken in October 2008 at a meeting of the French President Sarkozy, holding the Council Presidency, and the European Commission President Barroso with former USA President G. W. Bush at Camp David.

Quickly, the European Commission assumed the responsibility of the EU's participation in the G20. It is fair to consider the Commission as the backbone of the Union's G20 delegation (Debaere and Orbie, 2012). An informal division of labour was agreed between the Presidents of the European Council and the European Commission with the former focusing on the G8 and the latter mainly dealing with the G20 (Pop, 2010). In addition, senior Commission officials represent the EU in the G20's preparatory (sous)-sherpa meetings and the EU's internal preparation for the G20 is coordinated by the Commission's services. Furthermore at working group level, the European Commission is often the EU's sole representative. For example, the G20 Washington summit established four working groups to elaborate the proposals made by the leaders. On behalf of the EU only the Commission took part in those working groups as the Czech Council Presidency did not have the capacity to participate in all working groups (Debaere, 2010: 148).

The Treaty of Lisbon aims to strengthen the EU's external representation. At the level of Heads of State and Government, the Treaty is clear and introduces a permanent President of the European Council to represent the EU externally. However, the treaty does not provide clear instructions on how the EU is to be represented at ministerial level and in working groups. According to the European Commission, the Lisbon Treaty grants the Commission the sole responsibility for the Union's external representation in matters of monetary and



financial affairs. It was therefore in favour to minimize the role of the rotating Presidency in the G20. But several member states reacted strongly against these attempts and wished to maintain the Council representation at ministerial level. Eventually, and after an opinion of the Council's Legal Service, the Commission and the member states reached a provisional agreement that the Council Presidency would continue to be included in the EU delegation for the G20 minister meetings (Emerson et al., 2011). Nevertheless, the presence of the rotating Council Presidency remains a controversial issue. Both in 2011 and 2012, the G20 chairs, who have the final say on G20 invitations, hesitated to invite the rotating EU Council Presidency to certain G20 ministerial meetings, but eventually decided to do so.

#### **9.4 The diplomatic role of the EU in the G20**

The recent rise of the G20 poses a number of questions on the diplomatic role of the EU. Is the EU able to exert influence over the G20 outcomes knowing that the EU only accounts for one fifth of G20 membership while it represents half of the G8? Does EU coordination strengthen the performance of the EU in the G20? Does official EU membership imply that the non-G20 EU member states are actively involved in the G20 process? Is the EU able to adapt to the flexible and informal nature of the G20?

The answers to these questions and, thus, the diplomatic role of the EU in the G20 seem to differ across the G20 structure. The main argument in this chapter is that this is primarily due to the varying mode of interaction in the G20. This argument adds to the growing recognition among scholars that the external context has a significant influence on how the EU behaves in international settings (Jørgensen et al., 2011). Still, little systematic attention has been paid to the question of how the character of the multilateral system influences, constrains or enables the EU to act (Kissack, 2010: 5).

This challenges the widespread view that the EU performs best in international institutions in areas where the EU member states are most integrated, where that integration is then reflected in the level of EU competence, and consequently where the member states then speak with one voice (Dee, 2012: 190). EU competences are indeed often suggested as an explanation for the EU's actorness in international organizations. However, this is of limited explanatory value in the G20 context since G20 discussions seldom follow the EU's internal distribution of competences. The G20 deals with a large number of heterogeneous matters that often entail multiple dimensions across several policy domains. Practice shows that, in such discussions, aspects of the EU's diplomatic role (for instance the extent to which the EU coordinates its position) do not correlate with EU competences. Instead, it is argued that the EU's diplomatic behaviour depends on whether interaction in the G20 is based on bargaining or arguing.

In international negotiations, arguing and bargaining represent two distinct typologies of decision-making (Risse, 2000; Kotzian, 2007; Susskind, 2008). Bargaining refers to the maximization of interests without the intention to alter its preferences. Actors try to limit the choices available to their negotiating partners by making threats, promises and demanding concessions. Bargaining is the typical approach to negotiation in high-politicized arenas where the protection of national interests is a major goal. Often these negotiations involve a transfer of (financial) resources from some actors to others (Elgstrom and Jönsson, 2000: 701). Arguing implies that actors aim at convincing others of the value of a certain policy option based on claims of validity. The participants rely on the power of the better argument instead of strategic behaviour. In contrast to bargaining, the preferences and interests of the actors are no longer fixed and the actors are prepared to change their views. As Naurin (2009: 36) notes, the 'purpose of arguing is the transformation of preferences, which may bring the parties closer to a common position.' Arguing is more likely to occur in informal, network-

like settings based on non-hierarchical relations (Risse, 2000: 19). In addition, arguing seems to be most common when the pressure and the political stakes are low (Niemann, 2006; Naurin, 2009).

Arguing and bargaining are both ideal types of how actors negotiate. Mostly, negotiations combine both modes of interaction. Nonetheless in the G20, it is possible to identify a dominant mode in certain policy areas. Moreover, the mode of interaction differs across individual policy domains in the G20. This is illustrated in the next sections by two case studies on finance and development. In each case study, we will look at the mode of interaction and how it shapes two aspects of the diplomatic role of the EU in the G20: internal preparation and external performance.

#### **9.4.1 Case study I: Finance**

Rooted in the financial crises of 1999 and 2008, the G20 is still primarily a forum for financial and economic cooperation. Since its upgrade to leaders' level in 2008, the G20's financial and economic portfolio ranges from crisis resolution (including a \$1 trillion stimulus package in 2009), to crisis prevention by regulating financial markets, to the reform of the international institutional architecture. The reform of the Financial Stability Board and the IMF are the most important illustrations of the latter. So far, the G20 has not really been able to move beyond its role as crisis committee. Especially since the agenda in 2011 and 2012 was hijacked by the eurocrisis.

The financial and economic discussions within the G20 are clearly characterized by bargaining. Since the global financial crisis, financial regulation has become highly politicized although it concerns very technical issues (Tsingou, 2010: 28). Bankers' bonuses, bank levies and bank capital requirements were at the centre of political and public debate. Moreover, in this politicized context, the stakes were high as the financial sector is considered

a fundamental part of the national economy with repercussions on all the other economic sectors (Zysman in Quaglia, 2010: 28). Hence G20 countries sought and still seek to maximize their preferences during negotiations on financial regulatory measures, often by using threats. Former French President Sarkozy, for example, publicly threatened to walk out of the G20 meeting if his demands for tighter global financial regulation were not met (Chrisafis, Black and Traynor, 2009). Similarly, G20 countries bargained on the reform of the IMF quota and governance. Reforming the IMF is considered as a zero-sum game since a change in a member's quota<sup>vi</sup> affects the relative quota share of the other members. Actors increased the pressure and used bargaining techniques to maximize their demands. Illustrative is the USA threat to veto a renewal of the anomalous number of 24 chairs in the Fund's executive board. This would have reduced the executive board to the default number of 20 members and put enormous pressure on the European (over)representation within the board (Lesage et al., 2013). A third example of the bargaining atmosphere in financial and economic G20 discussions is the talks on currencies between the USA and China in particular. While it might seem that both sides try to convince the other of one's preferred exchange rate policy, the goal is to make the other comply with one's demands and to make concessions. Neither China nor the USA really appear to be open to be persuaded by the 'better argument'.

Hence, bargaining dominates the G20 discussions on financial and economic affairs and the EU's diplomatic role in this area should be seen against this background. In a bargaining context, EU G20 members, as any other member, want to maximize their own preferences. Therefore it is crucial to extend their influence as much as possible. One option is to act collectively with the other EU participants in the G20. Although scholars have increasingly questioned the utility of a common EU stance in hostile environments (Smith, 2010), it is still widely believed in EU policy circles that a coordinated EU position strengthens the influence of the EU in international institutions and negotiations (Dee, 2012:

198). Indeed, France, Germany, Italy and the UK (henceforth 'EU4') use the EU and their EU membership as a key instrument to weigh on G20 finance outcomes. EU4 finance officials confirm that an EU position amplifies their national voices in the G20 and increases the likelihood 'to get something out of it'. EU coordination may occur in advance at EU level, involving all EU member states, and on the spot during G20 meetings among the EU participants.

As soon as the first G20 leaders' summit was announced at the end of 2008, France in its role as rotating EU Council President convened an extraordinary European Council meeting to prepare a common EU position. The EU agreed on a five-page document, which has been called 'agreed language'. This agreed language served as a non-binding framework and was kept quite vague to assure a comfortable negotiation margin for the European representatives in the G20. The EU4 and the EU institutions thus enjoyed a considerable room of manoeuvre in G20 discussions. This diplomatic flexibility contributed to the successes of the 2008 and 2009 G20 summits. It nevertheless came at the expense of intra-EU relations. Two examples illustrate this point.

First, at the G20 London Summit of April 2009, leaders attached a list of the Organization for Economic Co-operation and Development (OECD) with a classification of countries that can be considered tax havens. The tax havens issue was talked through at the preceding European Council of March 2009. At that meeting the EU4 promised that no EU member states would be listed as a tax haven. Despite this informal but clear agreement, the EU4 and the European Commission agreed at the London Summit to attach the OECD-list, including three EU member states, Belgium, Austria and Luxembourg, as 'grey' countries<sup>vii</sup>. At the ECOFIN Council the day after the London Summit, those member states reacted strongly against what they perceived as a 'betrayal' of their European partners (Nasra et al., 2009). Second and also in 2009, the G20 decided to accelerate the next IMF quota reform

from 2013 to 2011 and shift at least five per cent of the IMF quota from over-represented countries to under-represented emerging economies. Several European non-G20 countries complained that they were confronted with a *fait accompli* arranged between the EU4 and the other members of the G20 (in particular the USA and China) since this was not coordinated in advance in the EU.

Both incidents have led to a pressing demand by non-G20 EU member states to improve the EU's internal preparation for the G20. After all, in both cases the G20 decision had a major impact on their national interests. By 2010, the EU developed a fairly extensive, but still informal coordination process for the G20's financial and economic agenda. Common EU positions are coordinated in the ECOFIN-filière with the Economic and Financial Committee (EFC) and its sub-committees preparing the G20 deputy finance minister meetings. Based on background papers drafted by the Commission in liaison with the rotating Council Presidency, the EFC negotiates a rather detailed document of usually about 10 to 15 pages outlining the priorities of the EU and its member states. Subsequently, these Terms of References are forwarded to the ECOFIN Council, which approves them as the non-binding EU position for the G20 finance ministers meetings.

This process allows the non-G20 EU member states to provide input and voice their concerns. And although internal EU coordination is largely dominated by G20 EU member states, non-G20 EU member states are able to influence the EU's position, particularly by further specifying and sharpening EU language (Nasra and Debaere, 2012). Also the EU4 see merit in coordinating with the other EU countries. Before attending the G20 meetings, they consider it useful to level out the different views in the EU in order not to be picked off on small internal differences by other G20 members. This strategy strengthens their position which may come particularly handy in a bargaining context.

The Terms of References represent the guidelines for the participation of the EU4 and the EU institutions. Generally, the Terms of References are relatively well respected at G20 level. Since the issues around tax havens and IMF reform, there have been no major incidents. Nevertheless, the non-G20 EU countries remain suspicious. It is unclear whether the EU institutions represent the 28 member states, the EU4 or their own views. Also problems may still arise for issues that come up at G20 meetings and that have not been talked through in advance. In such situations, feeding back to the other member states is simply impossible. Moreover, the EU4 are still able to serve their own interests in the G20, possibly against the interests of their EU partners. But the non-G20 EU member states also realize that the Terms of References should respect the informal nature of the G20 and that a stricter EU position might not be appropriate.

In the margin of G20 finance meetings, the EU participants coordinate systematically, often facilitated by the European Commission. They regularly share information and discuss their negotiation tactics, especially if strong opposition is expected. Beside opposition strength, also the topic, the dynamics of the discussions and the level of detail in the Terms of References determine the frequency and intensity of these additional informal coordination meetings. During the drafting of the *communiqué*, EU coordination is most intensive. The EU participants in the G20 make sure that some paragraphs are very carefully drafted, especially those on the situation in the euro zone or the role of the ECB. Often, for strategic reasons, they propose a common language which is used as a starting point for the G20 discussions. In this way, the EU avoids to end up with language listing the other G20 members' demands and solutions for the euro crisis.

Despite the EU's significant influence on G20 language about the euro zone, its general influence in shaping the developments in the group is modest and declining, according to Jokela (2011). He argues that the EU has played an influential role in the launch

of the upgraded G20, but that its impact has been eroding since. Beside the key role of the European Commission, France and Germany to convene an emergency summit at the end of 2008, the EU was also able to shape the agenda of the first couple of G20 meetings. At that time, the UK and France had strong agenda-setting powers with the former as G20 chair in 2009 and the latter as rotating EU Council Presidency in 2008 and coming G20 chair in 2011. In addition, the European Commission was seen as a source of innovative thinking and expertise in providing workable solutions to tackle the crisis (Jokela, 2011). Overall, the EU and the USA have largely influenced the financial regulation agenda of the G20. Kern (2011) even contends that in financial markets, the USA and the EU are still the real G2. However, in the actual adoption and implementation of specific norms and regulatory standards, the EU has acted as a follower rather than a leader (Woolcock, 2013: 335).

#### **9.4.2 Case study II: Development**

Since 2008, the G20 has not only positioned itself at the centre of global economic governance, it has also emerged as a forum to discuss development cooperation among traditional Western donors and emerging market economies. Since the 2010 Seoul summit, development has represented a substantial share of the G20's agenda. As Alexander (2011: 9) points out, the G20's work on development represents a turning point in the history of international development efforts. Indeed, with the 'Seoul Development Consensus for Shared Growth' and the related Multi-Year Action Plan agreed at the Seoul Summit, the G20 for the first time embarked on a structural development agenda.

The G20's work on development departs from the two-way interconnection between the financial crisis and the economic situation of low-income and other developing countries: on the one hand, the developing world was badly hit by the global financial crisis, but on the other hand, part of the global recovery has to come from low-income countries as new sources



of global growth (Kharas, 2010). To address both aspects, the G20 countries concentrate on nine pillars of which four deal with enhancing growth potentials (infrastructure, human resource development, trade, and private investment and job creation), the next four deal with managing social and economic risks (financial inclusion, growth with resilience, food security, and domestic resource mobilization), and the ninth pillar supports the others by enhancing knowledge sharing. The G20's view on development differs from the G8 approach by focusing on growth rather than on welfare and poverty. Also the G20 seeks to address longer-term structural issues rather than pledging money for specific projects.

Compared to finance, development is differently embedded in the G20 structure. While the ministers of finance and the central bank governors deal with financial matters, development falls under the responsibility of the sherpas, the personal representatives of the Heads of State and Government, who prepare the G20 leaders summits. The G20's commitments in the Multi-Year Action Plan are implemented by the G20 Development Working Group (DWG) which reports to the sherpas and consists of delegates from the G20 countries and the European Commission, as well as representatives from relevant international institutions. With the exception of a joint Finance and Development ministerial meeting in September 2011, there has not yet been a meeting of G20 Development Ministers. For each pillar, two to four G20 members are appointed as lead countries or co-facilitators and prepare the work in the run-up to the DWG meetings. The EU leads the trade pillar together with the UK and Argentina. Beside trade, the EU also considers food security, infrastructure, resilient growth and private sector investments as priority pillars.

Discussions on development in the G20 context, in particular in the DWG, are characterized by an arguing logic. Since the G20 gathers countries with different levels of development as well as different recipes for development, it is seen as a platform to exchange experiences and discuss what really works for development. The interaction between

advanced industrial nations and leading developing countries is an effort of enhancing and disseminating knowledge. According to Lim (2011: 59), the G20 can not only serve ‘as the premier forum for international cooperation but also as a premier marketplace for development approaches and practical case studies based on the actual experiences of its member countries.’ As it is common in arguing contexts, the pressure and the political stakes are rather low. G20 discussions on development are barely covered in the press and G20 officials only seldom refer to development topics in their public statements.

In a context dominated by arguing, it is the power of the better argument that counts, rather than market power or the power of the purse. Indeed, since the G20 does not make any commitments for official development assistance (ODA), the EU’s role as international aid donor is not the central concern of the G20 countries (Young, 2010). This setting shapes the EU’s position in the G20 DWG to a large extent and has implications for its internal preparation and external coordination.

The EU’s preparatory process for the G20’s development agenda differs substantially from financial affairs. Whereas the 28 EU member states have plenty of opportunities to shape the EU’s position for the G20 finance track, the member states’ involvement in the sherpa track is limited to informative briefings by the EU sherpa to the member states’ ambassadors in COREPER. In general, the EU position in the sherpa track is a result of consultation between the several services within the European Commission without the active involvement of EU member countries. With regard to development, the Commission only reluctantly briefed the member states a few times in the Working Party on Development Cooperation (CODEV). These briefings were purely informative and were not intended to approve the Commission’s position in the G20 Development Working Group. The low level of internal coordination for development not only contrasts with substantial coordination for financial affairs, it also stands out against the intensive coordination efforts of the EU in the

context of other international development conferences such as the Busan High Level Forum on Aid Effectiveness in 2011 or the conferences on Financing for Development in Monterrey 2002 and Doha 2008.

The reluctance of the Commission to involve the non-G20 EU member states is shared among the other EU member states in the G20. It is believed that a strong EU position on development in the G20 would give the wrong signal to the emerging markets. In the G20, the EU participants want to break with the classical dividing line between the G77 and the G7. By presenting itself as one bloc, the EU might alienate the BRICs and undermine efforts to engage them in a responsible donor discourse. But more than the EU4, the European Commission is supposed to represent the EU in the G20 DWG. However, it considers a formal negotiation mandate inappropriate in the informal context of the G20. Furthermore, it argues that it acts carefully and according to previously agreed positions and standard policies. So prior EU-wide coordination is not only deemed undesirable, but also unnecessary. The position of the European Commission is surprising given that it is traditionally a strong advocate of more EU coordination on development (Baroncelli, 2011). Hence, this attitude does raise a number of questions. Especially given that the rotating Council Presidency does not counterbalance the powerful position of the Commission in the DWG. Does the European Commission represent the 28 member states, the large EU member states or its own agenda? Moreover, if the Commission acts according to existing policies, to what extent are these standard policies still useful in discussions that aim at finding new cooperation structures between old and new donors? Finally, does the practice of information sharing sufficiently address the needs of the non-G20 EU member states? Some member states are probably keen to provide substantive input for G20 discussion on development, for example with regard to the G20's relation with the UN and the successor of the Millennium Development Goals.

Along the same line, the EU participants in the G20 refrain from coordinating their positions too explicitly in the G20 DWG. The heads of the European delegations in the G20 DWG meet informally, but extensive coordination at G20 level on development is considered as less relevant. There is a low level of disagreement among EU participants as they already depart from a common European perspective. Disagreement is rather situated between EU and non-EU countries. In addition, because the G20 talks on development mainly follow an arguing logic, discussing negotiation tactics is less appropriate. A coordinated EU position could be too fixed and would constrain attempts to alter preferences and to develop new paradigms. EU coordination would be inconsistent with an open attitude required in an arguing context.

Further research is needed to assess the effectiveness of this diplomatic strategy. At first sight, it seems that this approach does not offer the degree of influence that the EU might hope for. The EU has for example not been able to upload some of its core values and priorities to the G20's development language. The Seoul Consensus does not or rarely refer to poverty reduction, gender issues or the environmental dimension of development. Unsurprisingly, the EU warmly welcomed the proposal of the Mexican G20 Presidency in 2012 to include green growth as a crosscutting theme. Nevertheless, the strategy of approaching the G20 in an uncoordinated way may produce some results, albeit less tangible. The emerging markets are still engaged in G20 development discussions. The risk exists that when the EU would coordinate more explicitly for development, the emerging markets would lose their interests in the G20 as a forum to discuss development. Also, positive experiences in the G20 can have spill over effects to other international organizations by enhancing cooperation between traditional and new aid donors. In this sense, the G20 functions as a network that fosters personal relationships between officials and experts from G20 countries and international organizations.

## 9.5 Conclusion

Before examining the EU's diplomatic role in the G20, this chapter has sketched the evolution of the EU's role in the G8. The EU's involvement in the G8 evolved from total exclusion to full participation. As it counts for half of the G8 membership, the EU possesses, and sometimes exploits, the ability to substantially shape the G8 discussions, which is not necessarily the result of explicit prior coordination. Next, this chapter has analysed how the EU approaches the G20 in two policy areas, finance and development. It has been illustrated that the EU's diplomatic behaviour, in particular the extent to which it coordinates, differs across the G20. This seems to depend to a large degree on the mode of interaction during G20 discussions.

In this way, this chapter has confirmed the idea that the strategy of speaking with a single voice is not always appropriate. By introducing the mode of interaction as a key variable, the chapter tried to specify in which contexts this strategy could or could not work. For financial and economic affairs, the EU coordinates quite intensively, both in advance as on the spot. Prior internal coordination is believed to be useful in a bargaining context where the participants try to maximize their own interests without the intention to alter its views. Coordination would also enable the EU to weigh on G20 finance discussions. In contrast, the European Commission and the EU4 refrain from involving the non-G20 EU member states in the preparation of the G20's work on development. As shown, this is due to the arguing context of G20 development discussions. It is deemed that EU coordination would hinder the attempts to convince the other parties of the better argument. It is however difficult to see whether this strategy has any impact.

This argument adds to the growing recognition among scholars that the external context has a significant influence on how the EU behaves in international settings. However,

to fully understand the EU's diplomatic role in the G20, other factors should be taken into account as well such as the national interests of EU G20 and non-G20 countries, the distribution of competences and the perceived relevance of the G20. In addition, this chapter has also illustrated that the diplomatic role might vary within a single international institution. This aspect of intra-organisational diversity could also be a subject of further research.

## References

- Alexander, A. (2011) *The G20: "Maestro" of the Development Finance World?* (Washington: Heinrich Böll Stiftung).
- Apple, R.W. (1990, July 10) 'The Houston Summit; U.S. Pushes to End Farming Subsidies,' *The New York Times*.
- Baroncelli, E. (2011) *The European Union, the World Bank and the Policymaking of Aid: Cooperation Among Developers*. (Aldershot: Ashgate).
- Bayne, N. (2000) *Hanging In There: The G7 and G9 Summit in Maturity and Renewal*. (Aldershot: Ashgate).
- Bini Smaghi, L. (2006) 'Powerless Europe: Why is the Euro Area Still a Political Dwarf?' *International Finance*, 9(2): 261-279.
- Blade (2013, February 11). 'Eurozone head says G20 proper forum for strong euro concerns,' *France 24*.
- Bonvicini, G. and W, Wessels, (1984) 'The European Community and the seven,' In C. Merlini, (ed.), *Economic Summits and Western Decision-Making* (New York: St. Martin's Press): 167-192.
- Chrisafis, A., I. Black, I. Traynor, (2009, April 1) 'G20 walkout threat from Nicolas Sarkozy,' *The Guardian*.

- Debaere, P. and J. Orbie, (2013) 'The European Union in the Gx system,' In K. E. Jørgensen and K. V. Laatikainen (eds), *Routledge handbook on the European Union and international institutions: performance, policy, power*. (London: Routledge): 311–323.
- Debaere, P. (2010) 'The Output and Input Dimension of the European Representation in the G20,' *Studia Diplomatica*, LXIII(2): 141-154.
- Debaere, P., D. Lesage, and J. Orbie, (Forthcoming 2014) 'Effective "minilateralism": The European Union's pragmatic embracement of the G20,' In Drieskens, E. and L. Van Schaik, (eds) *The EU and Effective Multilateralism: External and Internal Reform in the First Decade*. (London: Routledge).
- Dee, M. (2012) Standing together or Doing the Splits? *European Foreign Affairs Review*, 17(2): 189-211.
- Elgstrom, O. and C. Jönsson, (2000) *European Union Negotiations: Processes, Networks and Institutions*. (London: Routledge).
- Emerson, M., R. Balfour, T. Corthaut, J. Wouters, P.M. Kaczynski, and T. Renard (2011) *Upgrading the EU's role as Global Actor. Institutions, Law and the Restructuring of European Diplomacy*. (Brussels: Centre for European Policy Studies).
- Fischer, K. (2001) 'The G7/8 and the European Union,' in J. Kirton (ed.), *Guiding Global Order: G8 Governance in the twenty-first century*. (Aldershot: Ashgate): 123-140.
- Gowan, R. and B. Jones (2009, July 9) 'Co-ordination is key to G8 success,' *European Voice*.
- Gstöhl, S. (2008) "'Patchwork Europe"? The EU's Representation in International Institutions', *BRIGG Working Paper No. 2*.
- Hainsworth, S. (1990) *Coming of Age: The European Community and The Economic Summit*. (Toronto: Centre for International Studies) Available from <http://www.g7.utoronto.ca/scholar/hainsworth1990/index.html>

- Hajnal, P. (2007) *The G8 system and the G20: evolution, role and documentation*, (Aldershot: Ashgate).
- Huigens, J. and A. Niemann (2012) 'The Representation of the European Union in the G8,' in M. Larionova, (ed.), *The European Union in the G8*. (Aldershot: Ashgate).
- Jenkins, R. (1989) *European Diary 1977-1981*. (London: William Collins).
- Jokela, J. (2011) 'Europe's declining role in the G-20,' *FIIA Briefing Paper 96*, December 2011.
- Jørgensen, J., S. Oberthür, and J. Shahin (2011) 'Introduction: Assessing the EU's Performance in International Institutions – Conceptual Framework and Core Findings,' *Journal of European Integration*, 33(6): 599-620.
- Kern, S. (2011) 'The Real G2: Americans, Europeans, and their Role in the G20,' *Transatlantic Academy Paper Series*. February 2011.
- Kharas, H. (2011) 'Bringing Development into the G20: Overarching Themes,' in C.I. Bradford and L. Wonhyuk (eds), *Global Leadership in Transition* (Washington: Brookings Institution Press): 165-175.
- Kissack, R. (2010) *Pursuing Effective Multilateralism. The European Union, International Organisations and the Politics of Decision Making*(Houndmills: Palgrave Macmillan).
- Kotzian, P. (2007) 'Arguing and Bargaining in International Negotiations: On the Applications of the Frame-Selection Model and Its Implications,' *International Political Science Review*, 28(1): 79-99.
- Lesage, D., P. Debaere, S. Dierckx, and M. Vermeiren (2013) 'IMF reform after the crisis,' *International Politics*. Advance online publication, 26 April 2013, 1-26.
- Lim, W. (2011) 'The G20 and Development,' in Lim W. et al. (eds), *Major Issues and Policy Challenges for the G20 Cannes Summit*. (Seoul: Korea Development Institute): 59-66.



- Nasra, S. and P. Debaere (2012) 'The European Union in the G20: What role for small states?' (Cambridge Review of International Affairs, Ahead of print, DOI: 10.1080/09557571.2013.770280).
- Nasra, S., D. Lesage, J. Orbie, T. Van de Graaf, and M. Vermeiren (2009) 'The EU in the G8 System: Assessing EU Member States' Involvement,' *EUI Working Paper RSCAS* 2009/45.
- Naurin (2009) 'Most Common When Least Important: Deliberation in the European Union Council of Ministers,' *British Journal of Political Science*: 40(1).
- Niemann, A. (2006) 'Beyond Problem-Solving and Bargaining: Genuine Debate in EU External Trade Negotiations,' *International Negotiation*, 11: 467-497.
- Niemann, A. and J. Huigens (2011) 'The European Union's role in the G8: a principal – agent perspective,' *Journal of European Public Policy*, 18(3): 420-442.
- Pop, V. (2010, March 19) 'Van Rompuy and Barroso to both represent EU at G20,' *EUobserver.com*.
- Putnam, R. and N. Bayne (1987) '*Hanging Together: The Seven-Power Summits*,' (London: Sage Publications).
- Quaglia, L. (2010) *Governing Financial Services in the European Union*. (London: Routledge).
- Risse, T. (2000) "'Let's Argue!': Communicative Action in World Politics,' *International Organization*, 54(1): 1-39
- Smith, K. (2010) 'The European Union at the Human Rights Council: speaking with one voice but having little influence,' *Journal of European Public Policy*, 17(2): 224-241.

- Susskind, L. (2008) 'Arguing, Bargaining, and Getting Agreement,' in R. Goodin, M. Moran, and M. Rein (eds), *The Oxford Handbook of Public Policy*. (Oxford: Oxford University Press): 269-295.
- Tsingou, E. (2010) 'Regulatory Reactions to the Credit Crisis: Analysing a Policy Community Under Stress,' in E. Helleiner, S. Pagliari, and H. Zimmermann (eds), *Global Finance in Crisis: The Politics of International Regulatory Change*. (London: Routledge): 21-36.
- Ullrich, H. and A. Donnelly (1998) 'The Group of Eight and the European Union: The Evolving Partnership,' *Toronto: G7 Governance No.5*. (Available from: <http://www.g8.utoronto.ca/governance/gov5/index.html>)
- Woolcock, S. (2013) 'The effectiveness of EU external economic policies,' in K. E. Jørgensen and K. V. Laatikainen (eds), *Routledge handbook on the European Union and international institutions: performance, policy, power*. (London: Routledge): 324-343.
- Young, M.R. (2010) 'The G20 as a Development Opportunity for the European Union,' *EDC2020 Opinion paper*, No.6, November 2010.

#### Notes:

---

<sup>i</sup> This chapter draws on several confidential interviews with officials from EU member states and institutions from 2010-2013.

<sup>ii</sup> In this chapter, G8 is used consequentially when referring to the 'political' G6/7/8 to avoid confusion with the G7, which only deals with financial and economic affairs.

<sup>iii</sup> However, more recently, USA officials have complained that what they really want from the Europeans is some coherence (Gowan and Jones, 2009).

---

<sup>iv</sup> The G20 consists of the United States, Japan, Canada, Germany, the UK, France, Italy, Russia, Australia, Argentina, Brazil, China, India, Indonesia, Mexico, Saudi Arabia, South Africa, South Korea, Turkey, as well as the European Union.

<sup>v</sup> Before the Treaty of Lisbon, that is the President or Prime Minister of the country holding the rotating Council presidency. Since the entry into force of the Lisbon Treaty in December 2009, that is the permanent President of the European Council.

<sup>vi</sup> The quotas are the members' financial contributions to the IMF and determine their voting power in the Fund.

<sup>vii</sup> Countries listed as 'grey' on the OECD's list represent jurisdictions that have committed to the internationally agreed tax standard, but have not yet substantially implemented the agreement.